

# VIII

## EXTERNAL FACTORS, AND CURRENT TRENDS AND ISSUES AFFECTING COMMERCE ACTIVITIES SUPPORTING THE NATION'S ECONOMIC INFRASTRUCTURE

All of Commerce's programs supporting the Nation's economic infrastructure must operate in the real world, and must be aware of outside events which will have impacts on them. Major trends and challenges are cited here, in the context of Theme 1 goals.

- A. Implement the President's National Export Strategy in conjunction with the Trade Promotion Coordinating Committee,
- B. Enforce U.S. trade laws and agreements to promote free and fair trade,
- C. Strengthen and institutionalize trade advocacy efforts, placing special emphasis on the "Big Emerging Markets" and major projects.

ITA has developed a comprehensive, government-wide strategy to meet foreign competition and ensure U.S. companies and workers are able to take advantage of the trade agreements the U.S. has concluded. This strategy includes identification of obstacles to U.S. exports (including failure of foreign governments to implement or comply fully with trade agreements) and plans for removing such obstacles, and marshalling U.S. government resources to eliminate barriers. ITA examines promotional issues — trade finance, advocacy, and efforts to help small business — from the perspective of our competitors, and improves its approaches accordingly for U.S. companies. ITA has also looked ahead to a new frontier of strategic commercial policy issues — bribery and corruption, standards, technical assistance and offsets — which must be addressed now if our firms and workers are to be at the forefront of the world economy in the future.

The world economy continued to grow at a moderate rate at the time this Strategic Plan was being prepared. Estimated world economic growth was at about the same level as the previous year, below potential in the industrial countries as a group, and disappointing in the European Union. In the near term, world growth is expected to accelerate, with a rebound in European growth leading the way. Continued good economic performance in most developing regions and further recovery in the transition economies are also expected.

During the last decade U.S. exports have grown at a rate more than five times higher than the economy as a whole, and export growth accounted for fully one-third of total U.S. growth in the decade. The total number of U.S. jobs supported by exports continues to increase strongly, and wages in export-related jobs averaged more than overall U.S. wages.

While U.S. exports and the jobs dependent on them are growing at a healthy rate, and are projected to continue to outperform the economy as a whole, the overall U.S. trade position has deteriorated in recent years. Since the recession year of 1991 when the U.S. goods and services trade deficit fell, the deficit has grown in each of the last three years.

The U.S. trade deficit is projected to increase somewhat in 1997, but should begin to decrease as U.S. economic growth slows to long term trend levels, the rate of growth of imports decelerates, and economic growth picks up in other industrial countries. Nevertheless, trade deficit levels are unlikely to return to the low levels of 1991. Our demand for imports is strong as U.S. firms globalize their production, and foreign producers find our markets very attractive. Thus, if we are to make strides in lowering the trade deficit, our export growth rate must rise above historic levels. Generating exports — and the jobs dependent on them — must continue to be one of our highest economic priorities.

D. Restructure export controls for the twenty-first century,

E. Maintain a fully effective law enforcement program to protect U.S. national security, foreign policy, nonproliferation of dual-use commodities, counter-terrorism, nonproliferation of chemical and biological weapons, and public safety interests, and

F. Facilitate transition of defense industries.

A principal challenge for BXA is achieving a delicate but critical balance between the protection of U.S. national security and foreign policy interests, and combating the proliferation of weapons of mass destruction, without unduly hindering the growth of U.S. exports. In developing these policies, BXA has taken into account such new security concerns as the proliferation of weapons of mass destruction and terrorist activity that have arisen since the end of the Cold War, while supporting the interests of the exporting community.

The end of the Cold War has led to the decontrol of many previously-controlled dual-use commodities. However, they remain subject to licensing, and effective enforcement of the EAA and EAR remain critical. Additionally, BXA's Export Enforcement arm investigates threats to not only the traditional national security, nonproliferation, and foreign policy controls, but also threats posed by terrorists. It will also have enforcement responsibilities under Chemical Weapons Convention implementing regulations and public safety aspects of the Fastener Quality Act.

Since the break up of the Soviet Union, threats to national and global security are increasingly defined in terms of the threat posed by terrorists groups and rogue states possessing weapons of mass destruction. The break up of the FSU shattered the Soviet central economy and military industrial complex, but that

central economy had served as an effective export control system. The democracies that emerged from the old system recognize the threat posed to themselves and the world, but they lack the capacity to develop and implement an effective export control system. The primary challenge now is to convince them to develop a new, equally effective export control system.

G. Strengthen the public's understanding of the U.S. economy and its competitive position by improving Gross Domestic Product (GDP) and other national, regional, and international economic accounts data.

By eliminating non-core programs and reallocating those resources, BEA has made good progress in improving its economic accounts. However, these efforts have not fully offset general concerns over data accuracy and reliability and their ability to measure changes in the economy. These concerns have been raised by both public and private decision makers. Alan Greenspan, Chairman of the Federal Reserve Board, highlighted them in Congressional testimony: "...the list of shortcomings in U.S. economic data is depressingly long. There are biases in aggregate price indexes, incomplete reporting of international transactions, a significant amount of mere interpolation in the service portion of our national income accounts, uneven coverage of the financial accounts of households and firms, and unreported economic activity." In addition, the National Academy of Sciences has released two studies which explore how U.S. systems for collecting and analyzing data have fallen behind the times. The challenge for BEA is to improve GDP and related data so that these yardsticks of economic performance will continue to reflect accurately the ever-changing economy.

H. Improve national and local census and survey data through better business practices and public cooperation.

Two major challenges provide the opportunity to change the way the Census Bureau does business. First, both Congress and OMB have directed that Census 2000 must be simpler, less costly, and more accurate than the 1990 census. Census 2000 must: count every resident, using easy-to-use forms and new ways to respond; follow an open process that diverse groups can support; eliminate the differential count of racial and ethnic groups; and produce a single result that is accurate.

Second, Census 2000 must achieve the highest levels of quality, by ensuring that its products and services meet/exceed customer expectation, and are appropriate for end users.

- I. Stimulate the creation of private sector jobs through the growth of industry and the retention or expansion of existing businesses in economically distressed areas,
- J. Help distressed communities build their capacity to stimulate, maintain, or expand economic growth, and
- K. Provide new knowledge, analysis, and technical information which serve both to assess economic development problems and to mobilize non-Federal resources for their solutions at the local level.

Under EDA's current statutory criteria, 39% of the country, with 34% of the population, is eligible for EDA assistance because of high unemployment, high poverty, or low per capita income. Under eligibility criteria proposed in EDA reauthorization legislation currently under consideration in Congress, almost 38% of the Nation's population would be eligible for assistance because of high unemployment or low per capita income. Recent appropriation levels allow EDA to provide economic development assistance to only a fraction of the distressed communities that are eligible for funding. The challenge to EDA is to provide assistance as efficiently and effectively as possible to address the greatest need with limited resources.

As the Federal government delegates some of its responsibilities — such as resulted from welfare reform — to local communities, the need to build local capacity grows. Planning and local technical assistance to distressed communities is out-paced by the needs of communities to manage the new burdens as well as facing the challenges of an economy that is increasingly technology-based and globally-linked.

NAFTA and GATT/WTO have resulted in increased imports that, in turn, augment significantly the client caseloads for EDA's Trade Adjustment Assistance Program. In addition to greater demand for assistance in restructuring plans and operations, firms injured by increased imports will need more specialized assistance, including assistance in adopting greater technology.

EDA's programs are flexibly designed to enable the agency to address the widespread need for economic development and to target its funds to the most distressed areas of the Nation. An agency analysis determined that 94% of Public Works projects were made to communities with unemployment at least one percent above the national average, per capita income less than 80% of the national average, or both. EDA's support of America's communities is bolstered by a large national network of partnerships with local delivery organizations, including 320 economic development districts that prepare regional economic development strategies, 61 Native American planning districts, 68 University Centers that utilize academic expertise to provide technical assistance to local communities, state and urban planning offices, and 12 independent regional Trade Adjustment Assistance Centers.

L. Improve opportunities for minority-owned businesses in major growth industries according to geographic demands, and

M. Improve the opportunity for minority-owned businesses to pursue funding.

Recent efforts to dismantle federal affirmative action programs provide a serious challenge to MBDA's efforts to improve opportunities for minority-owned businesses. These efforts make it difficult to provide minority entrepreneurs with the unique information and management capacity that facilitate minority business's contributions to America's competitiveness in the global economy, thus threatening the creation of jobs in the general economy, particularly in minority communities, and constraining the minority community from generating substantial Federal tax revenue.

N. Provide technical leadership for the Nation's measurement and standards infrastructure, and assuring the availability of needed measurement capabilities.

A central mission of the NIST laboratory program is to continually improve the U.S. system of measurement needed by industry and science. NIST facilities in Gaithersburg, Maryland and Boulder, Colorado, currently valued at \$3 billion, were built 30 to 40 years ago, and house laboratories that conduct advanced research in areas such as semiconductor electronics, biotechnology, manufacturing engineering, atomic scale physics, computer science, and advanced materials. The combination of advancing age and increasingly sophisticated needs has made NIST's current facilities inadequate for providing U.S. industry with key technology, measurements, and standards in those areas, some of which (microprocessors, lasers, biotechnology, nanomaterials) were undreamed of when NIST facilities were built. NIST facilities lack the high-quality environmental system controls needed to make precision measurements under predictable, stable conditions. The deterioration and obsolescence of the NIST laboratories is a critical issue that must be addressed.

P. Assist U.S. businesses in continuously improving their productivity and efficiency utilizing Malcolm Baldrige National Quality Award framework core values, criteria, and assessment methods.

NIST is the focal point for quality and business performance in the U.S., and is aware that the performance of organizations in health care and education lags that of the Nation's top businesses. NIST has the opportunity to positively impact these fields, while at the same time improving the delivery of both services to the public. Improved performance in these fields would help U.S. businesses as well,

since the cost of health care for employees is a major concern of U.S. businesses and it contributes to the price of U.S. goods and services. Today's workplace increasingly requires multi-disciplinary and technological skills. The health care and education communities see the need for quality improvement and welcome the Baldrige approach. Extending the Baldrige program to these sectors will require that it be adapted to the unique characteristics which make these sectors different from business, and it will require expanded legislative support.

R. Coordinate and lead inter-agency efforts to enhance industry competitiveness in partnership with industry, academia and the states.

The United States Innovation Partnership (USIP) creates a new working relationship between the States and Federal agencies with science and technology missions, to stimulate technology-intensive, state-based economic growth, high quality jobs, and globally competitive businesses by promoting innovation in the American economy. The USIP redefines the Federal/State relationship by changing the Federal science and technology system into a national innovation system. USIP is an interactive partnership to develop a national innovation system that can sustain long-term economic growth and rising living standards for all Americans.

Through the partnership, the States and the Federal government can collectively and more productively address such issues as: streamlining regulatory review of environmental technologies, linking high-tech entrepreneurs and investors through the virtual network on the World Wide Web, making Federal science and technology resources accessible to local governments and inventors, and facilitating electronic commerce and telemedicine.

S. Help protect, promote, and expand intellectual property rights systems throughout the U.S. and abroad.

As American businesses expand their operations across national boundaries, there is a greater demand for global patent and trademark protection. PTO is exploring potential opportunities for enhancing global protection of intellectual property with its Trilateral partners (the European and Japanese Patent Offices) and with the World Intellectual Property Organization.

T. Support the development of a National Information Infrastructure (NII) that will be accessible to all Americans.

Information technology and telecommunications sectors are both dynamic growth sectors themselves, and also engines of development and economic growth in other sectors of the economy. Telecommunications products and services make factories more efficient, speed the creation of new and better goods and services, develop new jobs and markets, and increase trade. A primary goal of NTIA is to support the Administration's intention to make the benefits of the NII available to this Nation's schools, libraries, and other public institutions by the year 2000.

U. Advocate international telecommunications policies that will help open international markets and promote the interests of the U.S.

NTIA represents the U.S. position in all international frequency allocation and standards setting conferences. NTIA promotes development of the Global Information Infrastructure (GII) through reduction of regulatory barriers to trade and through bilateral and multilateral negotiations.

V. Set policies for efficiently and effectively managing the Federal use of the radio spectrum, and prepare for international radio spectrum-setting conferences of the ITU.

The radio frequency spectrum is an extremely limited, but highly sought-after resource. NTIA promotes efficient usage through technical and economic means and promotion of technological innovation. NTIA assesses spectrum usage, identifies areas where spectrum can be shared between government and private sector uses, and identifies spectrum that can be shifted to other priority uses.

W. Provide leadership in developing telecommunications policy initiatives in emerging areas of national priority.

The Internet, developed and made accessible to broad public use a relatively short time ago, has captured the imagination of business and industry, researchers, consumers, and simply curious people in this country and around the world. The use of the Internet literally expands daily as new information is posted and new users come on line. But the astonishing capacity, flexibility, and pervasiveness of the Internet can also allow for improper or restrictive use, and thus the need for protection arises. Initiatives such as the Global Electronic Commerce program are intended to protect users and support consistent domains in this country and overseas.

X. Promote safe navigation by revolutionizing U.S. marine and air navigation, mapping, and surveying; assist commercial shipping in moving increased cargoes safely and efficiently; and provide a precise satellite-derived reference system as the basis for the Nation's geographical positioning needs.

By 2005, merchant ships, naval vessels, fishing vessels, and recreational boats will safely ply our coastal waters, electronically guided by space-based navigation and advanced information technologies. NOAA will revolutionize U.S. marine and air navigation, mapping and surveying and assist commercial shipping in moving increased cargoes through U.S. ports and harbors with unsurpassed safety and efficiency. While maritime navigation will always be hazardous, the new technologies promise significantly to reduce the risk of accidents and spills.

Key factors will influence NOAA's ability to achieve the goal of promoting safe navigation, among these being the rate at which change should occur and the ability of the Federal government to support these changes. Essential Federal roles, including ensuring safety of the public, protection of the environment, and viability of the means to move commerce, must be carried out efficiently. These services are even more vital today than they have been in the past, considering the impacts on transportation, defense, international trade and public works. NOAA must position itself to discharge its responsibilities effectively, while recognizing that: U.S. exports are expected to grow from about 22% of GDP today to over 30% in the year 2000, yet products and services are growing inadequate due to the lack of essential maintenance; productivity gains from new navigation and positioning technology will rapidly change user needs, and; demand for geographic information to guide economic development is increasing.

Y. Provide significantly improved short-term warning and forecast products and services that enhance public safety and the economic productivity of the nation by enhancing the ability to observe, understand, and model the environment, and effectively disseminating products and services to users.

NOAA improves our Nation's environmental prediction and warning capabilities for the safety of life and property. As we head into the 21st century, benefits and service improvements in natural hazard warnings will be realized through enhanced observations and predictions, made possible by the development and implementation of new observing systems, and the development of data crucial to improving warnings and forecasts. These improvements enhance national capabilities to mitigate the impacts of environmental events, to reduce catastrophic impacts of natural disasters, and to improve economic productivity of the Nation.

While NOAA provides the information needed to make informed decisions, the public must understand how to utilize and act on this information. Because the manner in which the public responds to weather information is not under NOAA's control, education and awareness are important keys to successfully achieving the outcome of advancing short-term warnings and forecasts. In addition, NOAA must continue to nurture the unique partnership which exists between the National Weather Service and the private meteorological sector for the provision of weather and climate services to the public and industry. This balance is a fundamental strength of the partnership, and has enabled the private meteorological sector to grow to an over \$200 million industry.